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9% FEHBP Premium Hike Confirms Senate Took the High Road on Patients' Rights

In July the Senate approved Republican health insurance reforms (S. 1344) that protect patients while making health coverage more affordable. Along the way, the Senate defeated Democrat reforms — contained in S. 6 and supported by President Clinton — that would have increased the cost of health insurance by more than 6 percent above any automatic increases. Estimates indicate the Democrats' bill would have canceled coverage for 1.8 million Americans, adding them to the 44.3 million who lack health insurance.

The Clinton Administration's announcement that health insurance costs for federal workers will increase an average of 9 percent validates Senate Republicans' approach to patients' rights legislation: *With health insurance costs pricing millions of Americans out of the market, Congress must protect patients' rights without making coverage more expensive.*

Higher Premiums = More Uninsured

Last month, the Clinton Administration announced that premiums in the Federal Employees Health Benefits Program (FEHBP), which provides coverage to 9 million federal workers, retirees and their families, will increase an average of 9 percent next year.

- By next year, federal workers' premiums will have increased an average of 28 percent since 1997.
- In 2000, individual federal workers will pay nearly \$200 more for health coverage than they did in 1997, while families will pay over \$400 more.
- "Federal unions in recent months have pressured the [Office of Personnel Management] to step up its efforts to contain health care costs, arguing that the **premiums have become so expensive that as many as 200,000 federal employees choose to go without insurance.**" (*Washington Post*, 9/19/99, emphasis added)

How many more federal workers would drop coverage if their premiums rose an additional 6 percent? Would we call that "patient protection?" Of course not. So why do Senate Democrats and the Clinton Administration call it "patient protection" when they support legislation that would replicate federal employees' coverage loss (200,000 uninsured workers) *nine times over* in the private sector (1.8 million additional uninsured)?

Clinton's Hand in FEHBP Premium Increases

In fact, the Clinton Administration likely is responsible for a part of FEHBP's 9-percent increase next year. In February of 1998, Clinton directed the Office of Personnel Management (OPM) to impose the recommendations of his hand-picked Advisory Commission on Consumer Protection and Quality in the Health Care Industry on all FEHBP health plans by December 31, 1999. These included mandates that required federal health plans to provide access to specialists, emergency services, and continuity of care coverage according to the Administration's specifications.

Though the commission's recommendations were hailed by the Clinton Administration, one commission member dissented. Commissioner Diane Graham, chairman and CEO of a small business, predicted the commission's mandates would make health insurance too costly. This was based on her experience of providing health benefits to more than 50 employees and more than 100 of their dependents. Shortly after the President's directive, Ms. Graham told Congress:

I am concerned that in the rush to protect consumers, we may "protect" them right out of their coverage.

Although no estimates have been offered by the Administration, President Clinton's mandates almost certainly contributed to next year's premium increase.

Voters Want Patient Protections, but Affordability Comes First

Health insurance is getting more and more costly, and the public knows it. Polls reveal that voters want managed care reform, but affordability of health coverage is a much higher concern.

- Earlier this year, a Public Opinion Strategies poll found 82 percent of the public want Congress to make health care more affordable, while only 14 percent want HMO reform.
- An industry poll found the public's first health care priority is Medicare solvency (46 percent), followed by expanding health coverage to the uninsured (26 percent). Managed care reform came in third (14 percent), beating out "other" (11 percent).

- A *Wall Street Journal*/NBC News poll (reported 9/20/99) showed the public ranks managed care reform below Medicare reform, tax cuts, and greater defense spending.

Unlike Democrats, Republicans met the public's need for affordable coverage. First, Republicans vowed to "do no harm" by insisting that any legislation would not increase premiums by even 1 percent. Second, Republicans enacted tax reforms to make coverage more affordable to the most vulnerable Americans.

- Senate Republicans approved making **medical savings accounts (MSAs)** available to all Americans. According to the *Wall Street Journal*, the MSA demonstration program, despite being hampered by unnecessary restrictions, already is providing affordable coverage to 95,000 Americans, **one-third of whom were previously uninsured.**
- One quarter of self-employed Americans are uninsured. Senate Republicans passed provisions making **health insurance 100 percent deductible for the self-employed** and their families, instead of making them wait until 2003 for full deductibility.
- Senate Republicans also approved **full deductibility of long-term care insurance** (that is not employer subsidized) to help families afford their long-term care needs.

Instead of addressing the public's desire for more affordable coverage, Democrats insisted on a so-called "Patients' Bill of Rights" that would have made coverage *less* affordable. What good is a "Patients' Bill of Rights" if you can't afford health insurance?

MSAs: An Affordable Option for Federal Employees

OPM Director Janice R. Lachance, who administers the FEHBP, called the recent series of premium increases unacceptable, saying, "something bold and dramatic must be done." Again, Senate Republicans are up to the task.

The legislation passed by Senate Republicans also would make MSAs available to federal employees, retirees, and their families for the first time. MSAs have a proven record of bringing coverage to those who have none, and will make coverage more affordable for the 200,000 federal employees and retirees without health insurance.

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(Sources: Employee Benefits Research Institute, *Washington Post*, *Wall Street Journal*, Congressional Budget Office.)